

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

In the Matter of the Rehabilitation of
Tufts Health Plan of New England, Inc.

Docket No. 99-E-0410

AFFIDAVIT OF CHARLES SCHNEIDER IN SUPPORT
OF VERIFIED PETITION FOR LIQUIDATION

STATE OF NEW HAMPSHIRE) ss:____
MERRIMACK COUNTY)

CHARLES SCHNEIDER, being duly sworn, deposes and says:

1. I am the President of the Concordant Group LLC which is a health care consulting and management company providing consulting and management services to managed care and provider organizations. Prior to forming the Concordant Group in 1997, I was Executive Vice President and Chief Operating Officer of Healthsource, Inc. I have served as the Special Deputy Rehabilitator of Tufts Health Plan of New England, Inc. ("TNE") since my appointment by the Rehabilitator of TNE on November 24, 1999. I am fully familiar with the facts and circumstances set forth below.

2. I submit this affidavit in support of the accompanying Verified Petition for Liquidation executed by Paula T. Rogers as Rehabilitator of TNE. For the reasons that follow I concur in the Rehabilitator's statement in the Verified Petition that further attempts to rehabilitate TNE will be detrimental to subscribers, providers, and other creditors and would be futile.

3. As part of my responsibilities I undertook to cause TNE's financial condition to be examined expeditiously. Towards that end the Rehabilitator retained the firm of Deloitte & Touche LLP to examine the financial condition of TNE and report to the Rehabilitator and me its findings as promptly as possible.

4. TNE has accrued significant liabilities that will continue to increase over time in excess of its available reserves so as to disable it from paying claims as they come due.

5. During the past several weeks I conferred with three carriers licensed to do the same business as TNE in some or all of the states in which TNE has operated with respect to acquiring the stock or assets of TNE. None of the carriers expressed any interest in acquiring the stock. Two of the carriers indicated that they had no interest in pursuing an asset purchase, and one carrier proposed terms for an acquisition that create significant hurdles to a timely closing of a transaction by which TNE could be rehabilitated.

6. As part of my efforts, I had numerous conferences with health care providers. The essence of a health maintenance organization is its network of participating healthcare providers who provide services to its members. As a result of the financial condition of TNE, important providers have given notice of termination pursuant to their contracts with TNE, and

other providers have elected not to renew existing agreements. These terminations and non-renewals will result in disruption to policyholder healthcare services and additional adverse financial results to TNE.

7. In light of TNE's insolvency and its deteriorating financial condition, and the absence of any realistic means of rehabilitating it within a reasonable time, in my judgment TNE should be liquidated in accordance with the provisions of Chapter 402-C.

Charles M. Schneider

Sworn to and subscribed before
me this 20th day of December, 1999
